

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Revised Administrative Letter No. 10B

June 1, 2006

To: Telecommunications Carriers Serving Customers Approved for California Teleconnect Fund

Re: Application of Statewide Average E-rate Discount – 72% from January 1, 2006 through June 2006 billing periods and 69% from July 2006 through June 2007 billing periods.

Senate Bill 1102 (Statutes of 2004, Chapter 227) added Section 884.5 to the Public Utilities (PU) Code. The section, which becomes operative on January 1, 2006, includes the following provisions:

- (b) A teleconnect discount shall be applied after applying the E-rate discount. The Commission shall first apply the E-rate discount, regardless of whether the customer has applied for the E-rate discount or has been approved, if the customer, in the determination of the commission, meets the eligibility requirements for the E-rate discount.
- (c) Notwithstanding subdivision (b), the teleconnect discount shall be applied without regard to the E-rate discount for any necessary small school, as defined in Section 42283 of the Education Code, unless that school has applied for, and been approved to receive, the E-rate discount.
- (d) As a condition of participation in the California Teleconnect Fund program, the commission shall require customers eligible for the E-rate discount to provide the commission with information necessary for the commission to determine the percentage of the E-rate discount to which the customer would be entitled. The commission may require that customers update this information annually or if there is a material change.

To implement these provisions, we require carriers to follow the procedures described below when filing claims for reimbursement from the California Teleconnect Fund (CTF). Unless otherwise noted, these procedures apply only when there is no approved E-rate discount for the current funding year.

Commencing January 1, 2006:

- (a) CTF participant with pending E-rate application - apply the statewide average E-rate discount¹ before applying the CTF discount to CTF-eligible services until the customer presents the new E-rate discount² to the carrier. The E-rate and CTF discounts will be trued-up to January 1, 2006.
- (b) CTF participant that has not filed for E-rate – apply the current statewide average E-rate discount before applying the CTF discount to CTF-eligible services.

¹ In the absence of the customer's actual E-rate, the statewide average E-rate discount of 72% for January 1, 2006 through June 2006 billing periods and 69% for July 2006 through June 2007 billing periods should be applied before applying the 50% CTF discount. Please note that the statewide average E-rate discount is used solely for the purposes of calculating the CTF discount and it should be added back to the billed amount for payment by the customer. However, the customer should receive the actual E-rate benefit if they have been approved for E-rate.

² Resolution T-16763 requires a school or library to submit their E-rate funding commitment letter to their carrier within 75 days of filing their Receipt of Service Confirmation Form (Form 486) with the School and Library Division of the Universal Service Administrative Company.

- (c) CTF participant that applied for E-rate discount, but denied – apply the 0% E-rate discount documented in the funding commitment letter and 50% CTF discount to CTF-eligible services.
- (d) CTF Participant that is a necessary small school as defined in Section 42283 of the Education Code – apply the 50% CTF discount to CTF-eligible services unless the customer presents the E-rate discount. In that case, apply the E-rate discount before applying the CTF discount to CTF eligible services. Please obtain documentation from your customer supporting its eligibility for a necessary small school as defined in Section 42283 of the Education Code for future CTF claim audit.
- (e) CTF Participant that has been approved for E-rate for the entire fiscal year, but the dollar amount granted is not sufficient to cover all the CTF-eligible services for the entire fiscal period – apply the actual E-rate discount documented in the funding commitment letter even if the E-rate funding has been depleted prior to the end of the fiscal period, before applying the 50% CTF discount to CTF-eligible services.

Commencing July 2006 and ending June 2007 billing periods:

- (a) CTF participant with pending E-rate application - apply the statewide average E-rate discount before applying the CTF discount to CTF-eligible services until the customer presents the new E-rate discount. The E-rate and CTF discounts will be trueed-up to the beginning of the funding year. For July 2006 through June 2007 billing periods, the statewide average E-rate discount as of January 1, 2006 will be applied, which is 69%.
- (b) CTF participant that has not filed for E-rate – apply the statewide average E-rate discount before applying the CTF discounts to CTF- eligible services.
- (c) CTF participant that applied for E-rate discount, but denied – apply the 0% E-rate discount documented in the funding commitment letter and 50% discount to CTF-eligible services.
- (d) CTF Participant that is a necessary small school as defined in Section 42283 of the Education Code – apply the 50% CTF discount to CTF-eligible services unless the customer presents the E-rate discount. In that case, apply the E-rate discount before applying the CTF discount to CTF eligible services. Please obtain documentation from your customer supporting its eligibility for a necessary small school as defined in Section 42283 of the Education Code for future CTF claim audit.
- (e) CTF Participant that has been approved for E-rate for the entire fiscal year, but the dollar amount granted is not sufficient to cover all the CTF-eligible services for the entire fiscal period – apply the actual E-rate discount documented in the funding commitment letter even if the E-rate funding has been depleted prior to the end of the fiscal period, before applying the 50% CTF discount to CTF-eligible services.

Finally, the statewide average E-rate discounts for the funding years 05-06 and 06-07 are 72% and 69%, respectively. Please apply the appropriate statewide average E-rate discount, if applicable, before applying the 50% CTF discount.

Please direct your questions concerning this administrative letter to the following staff:

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/s/John M. Leutza, Director
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